

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (9/3)
BUTTER: Grade AA closed at \$1.7200. The weekly average for Grade AA is \$1.6933 (+.1508).

CHEESE: Barrels closed at \$1.5600 and blocks at \$1.5800. The weekly average for barrels is \$1.5480 (-.0400) and blocks, \$1.5720 (-.0300).

NONFAT DRY MILK: Extra Grade closed at \$0.8500 and Grade A at \$0.8500. The weekly average for both Extra Grade and Grade A is \$0.8500 (N.C.).

BUTTER: The recent CME cash price firmness has some producers and handlers feeling that this may be the typical late summer/early fall price increase period. Others feel that some traders involved in the cash market might be unable to get out of their futures positions and are influencing the cash market more than supply/demand. Churning schedules from coast to coast are seasonally quite active. Cream supplies are readily available as standardized cream volumes from school milk bottling programs increase and ice cream production edges lower. Butter stocks continue to lag last year at this time, although more producers and handlers are indicating that supplies are in better shape than earlier anticipated. Retail demand is fair at best with food service orders, especially from vacation and resort areas, declining. Producers and handlers anticipate buyers to return to typical early fall buying patterns as the summer vacation season ends and schools resume classes.

CHEESE: The cheese market is unsettled. While cheese demand has improved, overall interest is not as consistent as usually expected. After record high cheese prices, sharp declines, and rebounds, buyers are wary about current price levels and take advantage of any price break. Next week, bulk cheese needs will be lower due to the holiday reduced operating schedules. Tightening milk supplies as schools reopen have reduced current cheese production. However, limited summer heat stress on cows and higher than normal fat and protein tests have generated better than usual cheese yields as well as more milk than earlier expected through much of the country.

FLUID MILK: Milk production continues to mover lower in the Southeast, while holding relatively unchanged elsewhere in the U.S. Some areas of the Southwest were hotter than last week and the milk flow turned slightly lower. Fluid milk supplies are tight in the Southeast, ample in most other areas. Milk shipments into Florida and other Southeast states are increasing, but locating trucking seems to be more of problem than locating the milk. Schools are either already in session or set to reopen next week and this is pulling more milk into the Class I pipelines. Surplus/manufacturing milk volumes are heavier in most of the country. This is partially due to the Labor Day weekend and slower demand, but much of the surplus stems from steady to higher milk production. Florida is bracing itself for Hurricane Frances and some plants are taking precautions against having too much milk

on hand during the storm. Florida and Coastal states have been hit with two hurricanes and a tropical storm in the span of two to three weeks. The resulting and anticipated flooding and loss of power are taking their toll on the animals. Both milk output and quality are being affected. The fluid cream market is weaker as supplies increase and demand eases. Churning activity is expected to increase during the holiday weekend when many ice cream producers will be down an extra day.

DRY PRODUCTS: The NDM market remains weak. Prices are mixed, mostly lower and demand for recently-made powder is lackluster. Most of the demand is centered on powder once owned by CCC. Production levels are heavier than desired and producer stocks are building at more plants. Offerings to CCC continue and are, so far, only from the West. The dry whey market remains steady to weak and prices are mostly unchanged. Production levels are often higher than anticipated for this time of year in most of the country. Spot demand for dry whey is slow to fair, at best. The lactose market is weak and prices are lower. Offerings are heavy at most production plants and demand is slow. The WPC market also remains weak and prices continue to trend lower. Stocks are reported in the range of balanced to long. Demand is slow. The WPC market (like other dry product markets) is being negatively impacted by the low-priced government program NDM currently on the market.

CCC: For the week of August 30 – September 3, CCC purchases total 3,014,409 pounds of Western NDM; 1,151,362 pounds of NDM were purchased under price support with 1,863,047 pounds purchased under Invitation 080 to Announcement FMPI.

CLASS AND COMPONENT PRICES (DAIRY PROGRAMS): The following are the August 2004 prices under the Federal Milk Order pricing system and the changes from the previous month: Class II \$13.13 (-\$0.87), Class III \$14.04 (-\$0.81), and Class IV \$12.46 (-\$0.85). Product price averages used in computing Class prices are: butter \$1.6101, NDM \$0.8584, cheese \$1.5167, and dry whey \$0.2246. The Class II butterfat price is \$1.8011 and the Class III/IV butterfat price is \$1.7941. Further information may be found at: <http://www.ams.usda.gov/dyfmom/mib/classprcacnmt.pdf>

AUGUST AGRICULTURAL PRICES HIGHLIGHTS (NASS): The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in August 2004 advanced 1 point to 135, up 8 points (6.3%) from August 2003. The index of prices received by farmers for dairy products declined 8 points during the month of August 2004 to 115, up 13 points (12.7%) from August 2003. Prices received by farmers in August with changes from July were: for all milk, \$15.00, down \$1.00; fluid grade milk, \$15.10, down \$.90; and for manufacturing grade milk, \$13.90, down \$.40

******SPECIAL THIS ISSUE******

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY AUGUST 30	TUESDAY AUGUST 31	WEDNESDAY SEPTEMBER 1	THURSDAY SEPTEMBER 2	FRIDAY SEPTEMBER 3	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.5300 (N.C.)	\$1.5300 (N.C.)	\$1.5600 (+.0300)	\$1.5600 (N.C.)	\$1.5600 (N.C.)	(+.0300)	\$1.5480 (-.0400)
40# BLOCKS	\$1.5600 (+.0300)	\$1.5625 (+.0025)	\$1.5800 (+.0175)	\$1.5775 (-.0025)	\$1.5800 (+.0025)	(+.0500)	\$1.5720 (-.0300)
NONFAT DRY MILK							
EXTRA GRADE	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	(N.C.)	\$.8500 (N.C.)
GRADE A	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	(N.C.)	\$.8500 (N.C.)
BUTTER							
GRADE AA	\$1.6600 (+.0700)	----	\$1.7000 (+.0400)	----	\$1.7200 (+.0200)	(+.1300)	\$1.6933 (+.1508)

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM **NOTE: CME IS CLOSED 9/6/04.**

CHICAGO MERCANTILE EXCHANGE

MONDAY, AUGUST 30, 2004

CHEESE — SALES: 9 CARS 40# BLOCKS: 1 @ \$1.5300, 4 @ \$1.5325, 1 @ \$1.5350, 2 @ \$1.5375, 1 @ \$1.5400; BIDS UNFILLED: 3 CARS 40# BLOCKS: 1 @ \$1.5600, 2 @ \$1.5500; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: ONE
 BUTTER — SALES: 14 CARS GRADE AA: 4 @ \$1.6100, 1 @ \$1.6125, 1 @ \$1.6325, 3 @ \$1.6500, 1 @ \$1.6550, 1 @ \$1.6450, 1 @ \$1.6600, 1 @ \$1.6525, 1 @ \$1.6600; BIDS UNFILLED: 15 CARS GRADE AA: 2 @ \$1.6450, 2 @ \$1.6400, 1 @ \$1.6350, 2 @ \$1.6300, 2 @ \$1.6250, 3 @ \$1.6200, 1 @ \$1.6075, 1 @ \$1.6000, 1 @ \$1.5975; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.6700, 2 @ \$1.6650

TUESDAY, AUGUST 31, 2004

CHEESE — SALES: 3 CARS 40# BLOCKS: 2 @ \$1.5025, 1 @ \$1.5625; BIDS UNFILLED: 3 CARS 40# BLOCKS: 1 @ \$1.5600, 1 @ \$1.5550, 1 @ \$1.5025; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.5300
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, SEPTEMBER 1, 2004

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.5500, 1 @ \$1.5800; BIDS UNFILLED: 1 CAR BARRELS @ \$1.5600; 1 CAR 40# BLOCKS @ \$1.5625; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 18 CARS GRADE AA: 2 @ \$1.6600, 1 @ \$1.6650, 2 @ \$1.6700, 1 @ \$1.6750, 1 @ \$1.6700, 2 @ \$1.6725, 1 @ \$1.6750, 2 @ \$1.6800, 1 @ \$1.6825, 1 @ \$1.6850, 1 @ \$1.6900, 1 @ \$1.6950, 2 @ \$1.7000; BIDS UNFILLED: 8 CARS GRADE AA: 1 @ \$1.6975, 2 @ \$1.6925, 1 @ \$1.6900, 1 @ \$1.6825, 1 @ \$1.6700, 2 @ \$1.6600; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.7000

THURSDAY, SEPTEMBER 2, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.5775
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, SEPTEMBER 3, 2004

CHEESE — SALES: 3 CARS 40# BLOCKS: 2 @ \$1.5775, 1 @ \$1.5800; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 7 CARS GRADE AA: 1 @ \$1.6900, 4 @ \$1.7000, 1 @ \$1.7100, 1 @ \$1.7200; BIDS UNFILLED: 3 CARS GRADE AA: 1 @ \$1.7175, 2 @ \$1.7150; OFFERS UNCOVERED: NONE

BUTTER MARKETS**NORTHEAST**

The market tone remains unsettled, but firmness is indicated by the CME cash price (through August 30) increasing in each of the last four trading sessions. August has been an up and down month for the CME butter prices and some contacts continue to speculate about the "whys" of such changes. Some feel that people unable to get out of futures positions are influencing the market, others think that the school-year demand will help improve retail sales, and other cite holiday needs are already being addressed. However, increased production and ample stocks, and only fair, current demand are evident in most parts of the country. Labor Day needs have been shipped. Labor Day marks the end of the seasonal needs along the Eastern Shore and the return to more normal shopping habits. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

CENTRAL

Butter prices are firming following cash trading at the CME. Through midweek, the cash price has increased over 20 cents in five consecutive trading sessions to \$1.7000. This is the highest cash price since late July. Some producers and handlers are puzzled at the strength in the current market. Cream supplies are reported to be readily available and are expected to remain so for the near future. Standardized cream volumes are increasing as school milk bottling schedules resume. Butter producers are anticipating cream offerings over the upcoming holiday weekend to be heavy. Stocks of butter continue to trail last year at this time. More producers and handlers report that, although stocks are lighter than desired, supplies are in better balance than previously anticipated for this time of the summer. Butter demand remains fair at best. Retail orders are not overly aggressive while fold service orders have tapered off now that the summer vacation season has virtually ended. Restaurant and food service orders, especially from resort and vacation areas, were

quite light this week as buyers work down inventories and they have a chance to re-evaluate their supply/demand situation following the Labor Day holiday weekend. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Butter prices at the CME cash market continue their roller coaster ride. In the last five trading sessions prices have increased 20 1/2 cents to stand at \$1.70. Prices in August have been as low as \$1.4425. Buyers are having trouble formulating a buying strategy to cover fall needs with these sort of price gyrations. Buyers will certainly need to make additional purchases to cover the upcoming good fall buying season. Some printers are reporting that run time on their machines is filling up and the calendar will only allow so much production before time runs out on completing year end orders. More cream is becoming available over the holiday weekend and prices churns are willing to pay are declining. Butter stocks in producer hands are on the light side. Production is up as ice cream sales slow and more standardized cream becomes available. Neither side of the market seems to have a good handle on how high prices will move this fall. Licensed butter imports for the first seven months of the year total 11.2 million pounds, up 40% from the same period in 2003. Imports have reached about 73% of the tariff-rate quota. Imports of "high-tier" butter total 15.9 million pounds for the January-July period. Last year, less than three loads of this type of butter had been imported. The trade believes more butter might have been brought in because of U.S. market conditions, but because of very tight world supplies of butterfat, it was not. CME weekly warehouse stocks declined by 5.1 million pounds last week. This is the largest weekly decline recorded this year. Prices for bulk butter range from 1 to 5 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
AUGUST 28	1.5537	1.5644	0.8544	1.5592	0.2154
	7,156,097	10,674,258	18,632,427	2,112,271	11,439,549

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are mixed. Process items are generally higher and natural items are fractionally lower. The market tone is mixed. Cheese output in the Northeast is steady to slower. This week, one cheese operation will shut down for the month of September to make plant and equipment renovations. Other producers are operating at steady to lighter levels as more milk is starting to move into Class I channels for school lunch needs. However, surplus milk was readily available in the region last week and some did move to cheese plants. Cheese supplies are more than adequate to meet the fair to occasionally improved demand. The call for cheddar is little changed, but interest in fresh cheeses is improving. With colleges getting back in session for another academic year, demand for mozzarella is picking up. Resort area orders are slowing now that most Labor Day needs have been shipped. Retail sales are about steady and continue to be price sensitive.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.6725-2.1875
Cheddar Single Daisies	:	1.6300-2.1050
Cheddar 40# Block	:	1.7450-2.0050
Process 5# Loaf	:	1.7975-2.0050
Process 5# Sliced	:	1.8175-2.0575
Muenster	:	1.8450-2.0475
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is unsettled and seems to lack direction. Some observers are disappointed that the market is not as seasonally firm as usual while others hope supply and demand will warrant any additional changes. Current demand is steady at fairly good levels but still disappointing for some operations. A number of operations have needed overtime recently, though part is attributed to building finished inventory prior to next week's holiday abbreviated schedule. Many buyers still remain wary about accumulating large inventories. Natural orders remain fair to good. Tight supplies continue on most non-cheddar American varieties, particularly pepper jack and colby/jack blends. Shipments of specialty seasonal products are increasing to large distributors. Process movement is fair to good, aided by continued shipments to CCC under the annual contracts. Process orders from summer resort areas are often lighter as many will close after the holiday weekend. Milk supplies are generally not as tight as normally expected in late summer when hot weather and the reopening of schools combine to squeeze current cheese production and availability. Cheese yields have been unusually good for late summer.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.7675-2.0700
Brick And/Or Muenster 5#	:	2.0500-2.2600
Cheddar 40# Block	:	1.9500-2.2650
Monterey Jack 10#	:	2.1200-2.2650
Blue 5#	:	2.3550-2.7700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9050-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4475-2.9500

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	CHEESE
08/23/04	53,717	: 142,192
08/01/04	56,496	: 151,542
CHANGE	-2,779	: -9,350
% CHANGE	-5	: -6

WEST

Process cheese prices increased a bit while natural styles held steady following trading at the cash CME market last week. Prices will likely move lower this week. Buying is very sporadic with the current market price gyrations. Coverage by buyers is thought to be on the light side. Producer stocks of cheese are sufficient for likely needs. Current cheese offerings may be a little tight at times, but there is plenty of cheese available overall. Cheese production is heavier than anticipated at many Western production facilities as the mild summer has allowed milk output to remain heavier than normal. Quality aged cheese will likely be in tight supply for the upcoming holiday season. When cheese should have been put into aging programs, prices were way too high to make the chances of any profits slim at best. The Swiss market appears to be in a generally balanced situation going into the fall season. Mozzarella demand is improving as schools of all types start their fall sessions, but the overall stock situation is still heavy. Total cheese imports subject to licensing through the end of July total 157.3 million pounds, an increase of 14% from the first seven months of 2003. This volume is 53% of the annual tariff-rate quota. Imports of "high-tier" cheese for the first seven months of the year total 30.7 million pounds, up 27% from the same period in 2003.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.7400-2.0000
Cheddar 40# Block	:	1.7250-2.0775
Cheddar 10# Cuts	:	1.9050-2.1250
Monterey Jack 10#	:	1.9150-2.0750
Grade A Swiss Cuts 6 - 9#	:	2.4500-2.8700

FOREIGN

Prices are unchanged to fractionally lower. The market tone is mostly steady. Stocks for most cheese are adequate to cover the steady demand. During the first seven months of 2004, the grand total of cheese imports, subject to licensing was 71.38 million KG, 14.1% more than same period last year. Imports of "high-tier" cheese during that same period totaled 13.93 million KG, 26.6% above year earlier totals.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.2500	: 1.9675-3.4575*
Gorgonzola	: 3.6900-5.9400	: 2.4725-2.4900*
Parmesan (Italy)	: TFEWR	: 3.3775-3.4875*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.5500	: 1.9800-2.2025*
Romano (Cows Milk)	: -0-	: 3.1625-5.3375*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.9500-4.0900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.4500	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	227	0	225	0	236	0
SOUTHEAST STATES	40	0	40	0	40	0

Milk production ranges from mostly steady in the Northeast to declining in the Southeast. Florida contacts, barely recovering from the effects of Hurricane Charley are now faced with Hurricane Frances, which threatens to make landfall later this week. People and businesses across most of the state as well as up the Coast to the Middle Atlantic area are bracing themselves for wind damage, rain and flooding. Earlier this week, the Carolinas were hit by Tropical Storm Gaston and there was a lot of rain, flooding, and some power outages. Milk pick ups and movement were disrupted. Florida bottlers are trying to get more milk ahead of the storm, but finding the additional volumes and the trucks to haul it are not going well. More contacts are commenting about difficulties in finding trucking to haul milk and cream. This week, Florida's milk imports came from Michigan, Minnesota, Pennsylvania, Virginia, and New Mexico. In the Northeast, continued cool temperatures was helping maintain milk output and contacts report heavy volumes of milk, despite the improving demand from Class I plants. Nearly all schools will be in session next week and bottlers are actively filling that pipeline. The holiday weekend will see some extra milk, and some contacts feel that milk volumes will be heavier than expected during this holiday. Surplus milk volumes are long in the North, tight to balanced in the Southeast. Some balancing plants will be run this weekend, but there is plenty of capacity should it be needed. Some cheese plants are decreasing output while others are taking a little more milk. Butter/powder plants have ample milk and dwindling warehouse space for their growing stocks of NDM. The condensed skim market is still relatively sluggish. Some producers are actively trying to market more wet solids in an effort to reduce drying schedules. Prices are often higher for Class III as the Class III skim price for September is estimated to be higher. Spot demand remains slow to fair. The fluid cream market is weaker. Offerings are heavier and demand is slowing. Suppliers comment that multiples started the week at previous week's levels, but have fallen as the week progressed and they have more cream to clear. The increased bottling is providing more cream via standardization. Spot demand is slow and some contacts still had loads to clear at midweek. Ice cream producers are slowing seasonally and many will be down an extra day this weekend. Reports note that cream cheese makers are starting to show more interest as they step up output to meet anticipated holiday needs. Churning activity is steady to heavier.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.0053-2.2212
DELIVERED EQUIVALENT ATLANTA	-	2.0515-2.2212 M 2.0824-2.1441
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.9744-2.1904

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9150- .9600
NORTHEAST- CLASS III - SPOT PRICES	- 1.0000-1.0500

M I D W E S T

Class I demand has picked up as additional schools reopened and the usual first of the month stronger retail interest occurs. Milk demand jumped sharply at midweek and handlers scrambled to find milk as well as trucks. For many right now, trucking may be a larger problem as farm routes get rearranged to limit commingled (mixed grade A and B) supplies along with increased shipments within and from the region. At least until Wednesday, milk supplies were probably not nearly as tight as in recent years due to the abnormally cool weather in 2004 causing less stress on cows. Milk shipments into Florida and the Southeast from the upper Midwest continue, but Florida handlers cancelled milk shipments for at least a few days due to Hurricane Frances concerns. Class II interest continued very strong particularly for cottage cheese and sour cream use. Ice cream interest continues to trend lighter as the peak sales season winds down. Some NDM was again being used to help stretch Class II milk supplies. The increase in school milk use is also generating larger volumes of standardized cream, increasing local offerings. Handlers were trying to adjust schedules for the upcoming holiday weekend though it was expected to cause minimal disruptions. Manufacturing milk demand remains generally good though spot supplies rapidly disappeared, particularly around midweek. A few plants down for maintenance provided some extra weekend and

early week volumes. Reported spot prices, net of the haul, remain around the \$1.75 - 2.25 over class area. Milk receipts are trending slightly lower seasonally but usually above year ago levels. Temperatures remain rather mild for late August and early September. Most plant operators comment that even if we get heat now, temperatures generally cool off at night so the stress on cows is likely to be limited. Fat and protein levels remain higher than normal for early September. Experts are advising producers how to handle crops already killed by frost for feed. Areas in the upper tier of states that missed the August frost remain worried about whether the crops will reach safely maturity.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUG 26 - SEP 1	PREVIOUS YEAR
SLAUGHTER COWS	\$ 53.00- 58.00	\$ 46.00- 51.00
REPLACEMENT HEIFER CALVES	\$390.00-650.00	\$340.00-550.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	AUG 26 - SEP 1	PREVIOUS YEAR
SLAUGHTER COWS	\$ 53.00- 60.00	\$ 45.00- 53.00

W E S T

The August 4a price (butter/powder) in CALIFORNIA is \$11.91, \$0.84 lower than July but \$1.96 higher than last year. The August 4b price (cheese) is \$14.01, up \$1.25 from July but 2 cents lower than last year. July 2004 POOL RECEIPTS of milk in CALIFORNIA total 2.94 billion pounds, 0.1% higher than last year. (The change is affected by milk volumes not being included in the pool receipts for July 2004.) The July blend price, at a fat test of 3.55%, is \$13.86, \$2.49 lower than June but \$2.31 higher than July 2003. The percentage of receipts used in Class 1 products is 14.69%. The July quota price is \$15.03 and the over quota price is \$13.33. These prices are \$2.43 lower than June but \$2.31 more than a year earlier. Milk output in California is mixed this week as some areas were impacted by several days of hot weather. This comes on the heels of a rather mild August by recent comparisons. Most processors' receipts were higher for the month, especially compared to last year when conditions were harsher. Cow numbers are higher in the state and freshening cows continue to enter the milking string. Milk supplies are being handled in an orderly fashion with the holiday weekend not expected to create any issues. Fluid orders are strong to fill school needs and retail orders. NEW MEXICO milk production is mostly steady. Demand for milk is good from local and out of area accounts. Fluid milk orders are higher. New Mexico alfalfa hay prices are weaker for rained on alfalfa hay but higher for top quality hay. Demand and sales are light to moderate. Production is in the 5th cutting across the state. ARIZONA milk production turned slightly lower after seeing some rebound a week earlier. As usual for this time of year, the weather is the major factor. Temperatures turned hotter this week and milk declined. Overall milk supplies are higher than a year ago due in large part to more cows in the state. Plants are running on schedule. Additional milk is moving to bottlers to fill school milk pipelines. The holiday weekend is not expected to create any issues with milk handling. The butter price at the CME closed at \$1.7000 on Wednesday, September 1, an increase of 17 cents from last week. The increase is surprising to many contacts. Cream prices are higher, reflecting the change in basing points. The advantage of cream being brought into California because of the price inversion versus outside cream has changed with the higher butter price. The cream situation was in balance early in the week, but the holiday weekend schedules are creating more availability later in the week. Demand has slowed from ice cream producers as many are working down inventories as the summer season fades. Multiples are lower and trade from 118 to 133, FOB and vary depending on class usage and basing point. More fall-like conditions are common over coastal areas of the PACIFIC NORTHWEST. Milk production seems to be stable. Pastures are growing again after the rain of recent weeks and warming temperatures. Cows are again able to get some feed value from grazing. Some comments are noted that production for some producers is soft because of problems with forage quality. No one is expecting any problems handling milk supplies over the upcoming holiday weekend. More cream is becoming available for churning as more standardized milk is used by schools and ice cream production slows. Dairy quality hay is expected to be tight through the winter season. Weather conditions east of the Cascades are warm, but not as hot as a few weeks ago. There is some stress on the milking herd, but it is cooling off at night. Alfalfa is growing well and many dairy producers are counting on a good quality harvest for this final cutting of the year. Conditions were warm midweek in UTAH and IDAHO, but are expected to cool off by the holiday weekend. Some contacts commented that Idaho received some rain on ten consecutive days making quality hay harvesting problematic. Dairy producers are indicating that tests are generally higher than last year because of the moderate summer conditions. Yields are better at manufacturing plants.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are generally lower on a weak market. Producers are being forced to compete with aged CCC exchange supplies that are traded at prices below and within the range, depending upon age. As a result, producer offering prices are trending lower for the light to fair interest. Movement of fluid milk into bottling plants is beginning to wane as plants resume steady schedules for school interests. Consequently, more milk is available to some NDM dryers, encouraging NDM production. Current supplies from the West and East are available and competitive with Central region prices on both high and low heat.

EAST: Eastern prices are mixed. The September base price for the major supplier in the country increased, but other producers, in an attempt to stimulate some interest, lowered offering prices on multi-load sales. The market tone is weak. Heavier than expected production coupled with slow demand for current-make powder have most Eastern producers seeing their inventories building. Much of the spot buying attention continues to be focused on the less expensive, government program NDM that is readily available in the market. Eastern dryers are making more NDM than anticipated, as milk production remains above typical late-summer levels. Demand for high heat NDM is about steady and stocks are in much closer balance than low heat. There is growing concern about the build up of stocks in the East and the upcoming holiday weekend is expected to add to the volumes of milk to be processed. Hopefully, as schools in the Northeast reopen, surplus milk volumes will lessen. However, most contacts don't foresee a big drop off in milk.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: .8000 - .9400 MOSTLY: .8100 - .8600
 HIGH HEAT: .9225 - 1.0500

NONFAT DRY MILK - WEST

Western low/medium heat prices are mixed. There are some producer prices that are adjusting lower, while other pricing factors are moving higher. The market tone remains weak. NDM stocks are long for most producers and offerings to the price support program continue to be used. Buyers are not aggressive with interest from cheese producers slow. Resellers are finding it difficult to move contract loads with the presence of a wide variety of NDM and blends presently on the market. Exporting of NDM continues to move product and is helping more as other contracts are filled. Prices are often better for this export activity and trade in the mid to upper 80's. Stocks are light to moderate at the producer level. During the week of August 23 - 27, a total of 1,882,083 net pounds of Western NDM were offered to the government CCC program as a price support purchase. Western high heat price are holding mostly steady with some slight adjustment noted within the range as sellers make changes to pricing lists and basing points. There is product available from most producers in the region. Drying is generally light and as scheduled.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: .7950 - .8800 MOSTLY: .8150 - .8650
 HIGH HEAT: .8500 - .9800

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 27	\$.8400	15,305,748	3,092,347
August 20	\$.8399	12,833,634	595,152

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are lower and nominal on a weak market. As more milk moves into bottling plants to satisfy demands for the new school year, more cream is being produced. Excess cream is being readily churned as butter manufacturers prepare for seasonal holiday demands. Movement of condensed buttermilk into ice cream plants and other direct end users is light to fair with excess supplies clearing into dryers. Production of dry buttermilk is seasonal with significant increases in supplies anticipated within the next month. Demand for dry buttermilk is light, even at lower offering prices. Traders speculate that competitive NDM prices may be displacing demand.

F.O.B. CENTRAL: 1.0300 - 1.0500

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady to lower and the market tone is unchanged. Production levels are again showing more signs of increasing as excess cream volumes are also increasing in the Northeast. Producer stocks are fairly well balanced, but some accumulation is noted. Demand is mostly contractual. Northeastern prices remain nominal and include resale loads.

F.O.B. NORTHEAST: 1.0000 - 1.0900
 DELVDS SOUTHEAST: 1.0100 - 1.0700

DRY BUTTERMILK - WEST

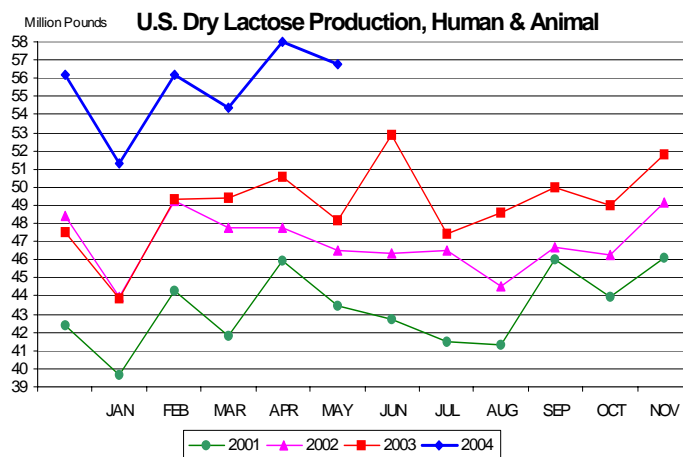
Dry buttermilk prices are unchanged and not tested. The market tone is unsettled to weak. Production is above projections with additional butter being churned in recent weeks. Buying interest is often slower and extra loads are available from producers this week. Demand continues to be filled with other powders at more competitive prices. The impacts of lower priced NDM remain a big factor. Stocks are light to moderate.

F.O.B. WEST: 1.0300 - 1.0750 MOSTLY: 1.0300 - 1.0500

DRY WHOLE MILK - NATIONAL

Prices are steady and nominal. The market tone is little changed. Production levels are light and generally geared to meeting demand. Some plant stocks are available and not clearing as fast as desired. Demand remains lackluster and there is competition from imported product.

F.O.B. PRODUCING PLANT: 1.2850 - 1.4350



8/4/2004 - Graph USDA, DMN; Source USDA, NASS

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are generally unchanged on a steady to weak market. Trading is very light. Most manufacturer list prices are unchanged. Demand from feed and export markets is reported as slow. Heavier than anticipated milk supplies at some cheese plants are encouraging condensed whey production. WPC/lactose plants known to purchase excess condensed whey supplies are reducing intakes in order to more adequately handle internal whey supplies. Production of dry whey is steady to higher. Most plants report that stocks are in balance despite trader speculation to the contrary.

F.O.B. CENTRAL: .1900 - .2250 MOSTLY: .2100 - .2200

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mostly steady this week. The market tone is firm at the producer level, unsettled at the trader/reseller level. Production levels are lighter in the East as cheese makers are holding the line on cheese output and less condensed whey is available from regular sources. One cheese plant is basically shutting down this month for renovations, which will further reduce dry whey. However, the plant and some traders have accumulated product to meet the expected needs of regular customers during the down time. Other Northeastern producers continue to have difficulty making enough dry whey to meet contracts. Contacts report that buyers are showing a little more interest, but for the most part, they continue to maintain a wait and see posture. It is theorized that buyers who stocked up early in the year are starting to clear their inventories and getting back into the market.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2175 - .2600
DELVD SOUTHEAST: .2450 - .2550

DRY WHEY - WEST

Prices moved both higher and lower this week for Western whey powder. Contacts are giving mixed information about the market. Some are stating that demand is improving and stocks of powder are declining. Others indicate that sales are still on the slow side and they are still concerned about inventories. As the last holiday weekend of the summer passes and schools return to session, a direction might begin to appear for this market in September. Production of powder is generally higher than plants had assumed for this time of the year.

NONHYGROSCOPIC: .2000 - .2500 MOSTLY: .2000 - .2225

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to lower on a steady to weak market. Competitive permeate and off grade lactose supplies are encouraging lower trading prices on the milk replacer whey supplies. Supplies are more readily available than the week prior for the light to fair interest. Veal trade is mostly steady while early weaned pig prices are trending steady to weak.

F.O.B. CENTRAL:
MILK REPLACER: .1750 - .1950

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are generally lower on a steady to weak market. Trade activity is very light. Some producers are reducing prices to be competitive with discount offers via resellers. At other locations, plants are comfortably offering supplies at steady prices. Improved marketability for some of the higher protein products is not being directly reflected in the 34% WPC market. Traders speculate that excessive supplies of NDM in the market may deter trading of 34% WPC. Production is mostly steady. Producers report inventories as balanced to somewhat long. Traders and end-users state that they are unable to delay pick-up of contractual loads at some plants. Off grade supplies are available for the light to fair interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .5725 - .6325 MOSTLY: .6025 - .6225

LACTOSE - CENTRAL AND WEST

Prices are generally lower on a weak market. Excess loads of lactose are difficult to clear via resellers or direct manufacturers, encouraging lower offering prices at some locations. Spot load sales to regular export markets such as Mexico and China are reduced as stocks currently held in these regions are reported as fully adequate. Movement is most difficult for the lower mesh sized product. Sales of higher meshed lactose are competitive with supplies sourced from Lithuania and Argentina. Production is reported as mostly steady. Producer stocks are in balance to heavier than desired. Contract talks for fourth quarter are slow to develop. Off grade lactose is available and difficult to clear due to the availability of competitively priced permeate and off grade whey.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1800 - .2700 MOSTLY: .1900 - .2200

CASEIN - NATIONAL

Casein markets remain firm with prices generally higher. Buyers continue to voice their displeasure with higher prices, but also acknowledge that they are not be able to locate supplies from other sources at better prices. Little has changed in the limited supply situation. Production in Oceania is just getting underway and is edging lower in Europe. Some European producers are actively seeking additional milk supplies to carry their production schedules further into the fall. Tighter than desired stocks of other manufactured dairy products in Europe are adding additional competitive pressure on the available milk supply. CCC continues to sell back government owned nonfat dry milk for the production of casein/caseinate. Under invitation #024 dated August 19, 2,000,049 pounds of powder were sold at \$0.4310 per pound. On August 26, they issued invitation #025 to sell approximately 2 million pounds for this purpose. Bids were due on Tuesday August 31 with public notice of awards by midnight September 2.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.7500 - 2.9500
ACID: 2.8000 - 3.0000

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are lighter as some adjust their output to the seasonal milk supply. However, this year is a little different in that surplus milk, in the eastern two-thirds of the country, is up from past years at this time. Some plants continue to make evaporated milk, while others have built sufficient stocks to carry them into early fall. Demand is steady to occasionally improved as some retailers start to pull for fall needs. The Kansas City Commodity office announced the award of indefinite quantity contracts for evaporated milk under EVD-1, invitation 810 for delivery October - December 2004. The award is for 4,590,000 pounds at prices ranging \$0.4026-\$0.5800 per pound.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume ^{1/}

Month	08/18	08/19	08/20	08/23	08/24	08/25	08/26	08/27	08/30	08/31
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
AUG 04	14.10 (5116) 7	14.10 (5118) 152	14.10 (5100) 22	14.10 (5101) 11	14.10 (5095) 3	14.10 (5095) 0	14.05 (5087) 95	14.00 (5088) 7	14.00 (5067) 10	14.00 (5067) 0
SEP 04	15.17 (5857) 264	15.43 (5917) 340	15.19 (5900) 393	14.45 (5850) 654	14.34 (5257) 1074	14.24 (5180) 493	14.16 (4914) 536	14.04 (4899) 440	14.22 (4833) 756	14.34 (4866) 474
OCT 04	14.24 (3598) 204	14.44 (3743) 445	14.14 (3794) 435	13.39 (3736) 1046	12.96 (3830) 380	12.90 (3895) 266	12.89 (3925) 134	12.79 (3865) 354	12.91 (4015) 319	12.92 (4240) 661
NOV 04	12.85 (2460) 10	12.85 (2489) 66	12.61 (2485) 269	12.41 (2869) 657	12.19 (2903) 240	12.21 (2900) 27	12.20 (2910) 17	12.16 (2897) 76	12.20 (2907) 270	12.25 (2911) 143
DEC 04	12.25 (1991) 9	12.30 (1995) 37	12.15 (2006) 36	12.08 (2008) 44	12.06 (2088) 189	12.06 (2157) 78	11.98 (2153) 41	11.98 (2148) 55	12.14 (2205) 118	12.05 (2201) 139
JAN 05	12.05 (766) 4	12.06 (768) 64	11.99 (764) 17	11.93 (775) 39	11.85 (799) 35	11.80 (799) 23	11.76 (842) 71	11.85 (855) 36	11.89 (860) 6	11.89 (860) 5
FEB 05	12.20 (770) 2	12.15 (765) 46	12.11 (758) 37	12.00 (763) 37	11.90 (786) 29	11.90 (789) 15	11.83 (837) 60	11.90 (841) 7	11.90 (846) 7	11.90 (846) 0
MAR 05	12.07 (594) 12	12.10 (589) 34	12.10 (616) 39	12.00 (629) 55	11.88 (648) 33	11.85 (651) 13	11.82 (691) 94	11.85 (690) 8	11.88 (695) 7	11.90 (695) 0
APR 05	12.25 (501) 2	12.25 (505) 19	12.25 (510) 10	12.06 (542) 52	12.06 (572) 32	12.06 (629) 70	12.00 (659) 44	12.05 (658) 8	12.05 (667) 11	12.10 (667) 0
MAY 05	12.16 (477) 2	12.11 (493) 47	12.19 (498) 6	12.00 (516) 40	12.06 (533) 36	12.06 (571) 41	11.99 (594) 43	12.05 (594) 4	12.05 (599) 8	12.10 (599) 0
JUN 05	12.18 (358) 4	12.25 (374) 20	12.25 (377) 7	12.15 (392) 25	12.15 (407) 21	12.20 (407) 5	12.15 (428) 41	12.25 (428) 4	12.25 (433) 7	12.30 (433) 0
JUL 05	13.00 (174) 0	13.00 (177) 9	12.86 (199) 27	12.75 (206) 19	12.65 (207) 7	12.65 (207) 3	12.55 (233) 56	12.73 (237) 4	12.73 (242) 5	12.73 (242) 0
AUG 05	13.10 (160) 0	13.10 (164) 8	13.00 (177) 15	12.99 (180) 13	12.95 (181) 8	12.95 (184) 11	12.80 (242) 70	12.90 (242) 11	12.95 (247) 5	12.95 (247) 0
SEP 05	13.45 (144) 0	13.45 (155) 11	13.21 (185) 36	13.19 (184) 14	13.10 (186) 8	13.09 (188) 3	12.99 (238) 116	13.20 (247) 9	13.20 (252) 5	13.20 (280) 28
OCT 05	13.00 (110) 0	12.95 (113) 5	12.95 (123) 10	12.75 (132) 13	12.75 (135) 8	12.74 (138) 4	12.50 (164) 50	12.65 (169) 12	12.65 (169) 0	12.65 (169) 0
NOV 05	12.30 (96) 0	12.30 (96) 3	12.30 (98) 2	12.05 (109) 12	12.05 (111) 8	12.05 (113) 3	12.00 (143) 39	12.15 (145) 6	12.15 (145) 0	12.15 (145) 0
DEC 05	12.30 (94) 0	12.30 (94) 8	12.30 (95) 1	12.10 (108) 13	12.10 (116) 8	12.10 (115) 0	12.00 (143) 41	12.15 (146) 7	12.15 (146) 0	12.15 (146) 0
CME - (CLASS IV) MILK FUTURES - Dollars per cwt.										
AUG 04	12.90 (77) 0	12.90 (77) 0	12.90 (77) 0	12.90 (77) 0	12.90 (77) 0	12.90 (77) 0	12.90 (77) 0	12.90 (77) 0	12.90 (77) 0	12.80 (77) 0
SEP 04	12.90 (87) 0	12.90 (87) 0	12.90 (87) 0	12.90 (87) 0	12.90 (87) 0	12.90 (87) 0	12.90 (87) 0	12.90 (87) 0	12.90 (87) 0	12.90 (87) 0
OCT 04	12.00 (21) 0	11.90 (21) 0	11.90 (21) 0	11.75 (21) 0	11.75 (21) 0	11.75 (21) 0	11.75 (21) 0	11.75 (21) 0	11.75 (21) 0	11.75 (21) 0
NOV 04	12.10 (64) 0	11.90 (64) 0	11.90 (64) 0	11.75 (64) 0	11.75 (64) 0	12.00 (64) 0	12.00 (64) 0	12.00 (64) 0	12.00 (64) 0	12.00 (64) 0
CME - BUTTER FUTURES -- Cents per pound										
SEP 04	151.50 (228) 7	148.75 (228) 6	150.00 (228) 25	148.50 (225) 8	147.00 (220) 16	151.00 (203) 24	153.00 (198) 10	157.00 (197) 5	162.00 (184) 11	163.50 (102) 18
OCT 04	151.95 (174) 6	146.95 (177) 5	148.00 (189) 13	147.47 (195) 5	147.47 (201) 11	150.00 (205) 9	151.00 (208) 5	154.50 (210) 6	159.50 (210) 1	160.25 (204) 20
DEC 04	150.00 (81) 4	146.00 (81) 0	147.00 (86) 5	147.00 (86) 4	146.00 (86) 3	147.00 (86) 1	150.00 (85) 5	151.00 (86) 2	152.00 (84) 0	152.00 (84) 3
MAR 05	154.00 (53) 0	153.25 (55) 2	152.75 (55) 0	152.50 (55) 0	152.50 (57) 2	152.50 (58) 1	153.00 (58) 0	153.00 (58) 0	153.00 (58) 0	153.00 (58) 0
MAY 05	154.00 (43) 0	151.50 (43) 0	151.50 (43) 0	151.50 (43) 0	151.50 (42) 1	150.00 (42) 0	151.00 (42) 0	152.00 (42) 0	152.00 (42) 0	152.00 (42) 0
JUL 05	153.00 (13) 0	152.00 (13) 0	152.00 (13) 0	152.00 (13) 0	152.00 (13) 0	152.00 (13) 0	153.00 (13) 0	153.00 (13) 0	153.00 (13) 1	153.00 (13) 0

^{1/} At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered August 23 - September 3, 2004

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN EUROPEAN OVERVIEW: Milk production patterns in many European countries are lagging the previous year. Milk producers in these countries are looking at their quota volumes and realizing that they are behind for this time of the year and are looking at ways to regain production momentum. The first choice is to add animals or replace existing animals with better producers. Often these inquiries are going unfilled as replacement animals are not readily available. Manufacturing schedules are declining seasonally and are often lighter than desired in relationship to inventories and projected winter needs. In many instances, competition for available milk volumes is very competitive. Stocks of manufactured dairy products are available but lighter than desired. Intervention for skim milk powder has now closed. Official totals are not yet available but the volumes are considerably lower than the maximum cap of 109,000 MT. Traders and handlers point to lower offerings during the open season and state that powder stocks are not as plentiful as in years past. August is typically the holiday period for many Europeans, thus this year was no different and sales activity was light. International buying interest remains slow and unaggressive. Internationally, prices remain firm although some European traders and handlers are indicating a slight weakness starting to occur for some supplies. Although weakness is appearing, most traders and handlers do not foresee a significant weakness due to tighter than usual supplies available in the international market.

BUTTER/BUTTEROIL: European butter markets are generally steady at unchanged prices. Stocks of butter are sufficient to meet internal and domestic needs, although supplies for international sales are not readily available. Milk production is declining seasonally thus butter/powder production is also edging lower. Competition for available milk supplies is strongest for casein and cheese output which is further limiting butter/powder output.

82% BUTTERFAT:	2,000 - 2,160
99% BUTTERFAT:	2,100 - 2,400

SKIM MILK POWDER (SMP): skim milk powder markets are generally steady at unchanged prices. An unsettled undertone is developing. Some handlers and traders are stating that they are hearing of slightly lower prices. Although they are hearing of lower prices, they also indicate that they do not foresee a significant decline in prices due to overall light supplies in the international market. Intervention has now closed and offerings during the recent open season were substantially lower than the 109,000 MT cap. Producers, handlers, and traders point to the lighter offerings which underlies lighter than desired commercial stocks throughout Europe.

1.25% BUTTERFAT:	2,080 - 2,225
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WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady at unchanged prices, although a slight weakness is starting to develop. Producers and handlers indicate that milk production is declining seasonally and the competition for available milk supplies is aggressive. Whole milk producers are trying to absorb as much milk as possible to enhance, often lighter than desired, inventories for this time of the season.

26% BUTTERFAT:	2,250 - 2,350
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SWEET WHEY POWDER: Whey powder markets are steady at unchanged prices. Stocks of whey are available for both domestic and international buyer interest. International sales are reported as light. Cheese production is active for this time of the year as cheese makers actively seek additional milk volumes.

NONHYGROSCOPIC:	500 - 550
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EASTERN EUROPEAN OVERVIEW: Milk production continues to decline seasonally. Milk volumes in Eastern Europe appear to be comparable with previous years. Stocks of manufactured dairy products are available for buyer interest, but traders and handlers indicate that sales activity is limited. There appears to be more sales activity out of non EU countries.

OCEANIA

OCEANIA OVERVIEW: Milk production in New Zealand and Australia continues to increase seasonally. In both countries, early season milk output is building at a steady/positive pace. Although it is officially still the winter season, weather conditions are conducive for a strong start to the current/upcoming production season. Early season production projections continue to run 2 - 3% higher in New Zealand and 1 - 2% higher than last year in Australia. With this projection increase in Australia, this will bring the region back to nearly breaking even with milk output in the 2002 - 2003 year. Milk handlers in Australia are optimistic about the dairy industry but state that it will potentially take a number of years for Australia to regain what it has lost over the past few years. Most manufacturing plants in both countries are now open and receiving milk. Milk handlers indicate that receipts are building, thus manufacturing schedules are increasing. At this point, production schedules are light in comparison to 4 - 6 weeks from now and stocks being generated are basically clearing facilities versus entering inventory programs. Traders and handlers indicate that a large percentage of output has been fully committed during the first half of the 2004 - 2005 production season. Most state that it will be the second half of the year before they will have an idea on their supply/demand situation that may provide some additional supply for potential spot buyer interest. At this point, most supply is fully committed to regular and ongoing customer needs. Carry over stocks from last season are very minimal and, in most instances, fully committed. Spot buyers waited for the end of the 2003 - 2004 season in hopes of acquiring some additional dairy products from this region, but it appears that there is very little or no product available for this buyer inquiry.

BUTTER: Oceania butter markets are generally steady at unchanged prices. The new milk production season is just getting underway in both New Zealand and Australia, thus butter/powder production is gaining momentum. There are basically no carry over stocks from last season, thus new production is clearing the region versus entering inventory programs. Traders and handlers are still receiving spot inquiries from potential buyers looking for additional butter supplies. Most indicate that they have nothing available and will reevaluate their supply/demand situation at mid year.

82% BUTTERFAT:	1,700 - 2,000
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CHEDDAR CHEESE: Cheese markets and prices are generally steady, although some traders and handlers report of hearing higher prices. Stocks of cheese are sufficient to maintain pre-negotiated shipping schedules to regular and ongoing customers. Most sales activity continues to center around regular customer needs. No significant new buyer interest is being reported.

39% MAXIMUM MOISTURE:	2,650 - 2,850
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SKIM MILK POWDER (SMP): Skim milk powder markets are generally steady at unchanged prices. Production for the new season is just getting underway in both countries. Carry over stocks from last season are minimal, thus much of the current production is scheduled to or is leaving the region to regular and ongoing customers. Traders and handlers indicate that they are basically limiting their sales at this time to these regular customers and not acknowledging spot buyer inquiries. Many indicate that they will probably not have any additional supply available for spot needs during the first half of the season.

1.25% BUTTERFAT:	2,000 - 2,200
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WHOLE MILK POWDER (WMP): Oceania whole milk powder markets are steady at unchanged prices. Powder production is getting underway as the 2004 - 2005 milk production season develops. It is still early in the year for producers and handlers to project stock availability for the coming season, although all are optimistic. Much of the first half of the season's production has been committed to ongoing customer needs.

26% BUTTERFAT:	2,000 - 2,200
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Exchange rates for selected foreign currencies: AUGUST 30, 2004

.7581 Canadian Dollar	.0216 Indian Rupee
.3326 Argentina Peso	.6499 New Zealand Dollar
.0877 Mexican Peso	.6993 Australian Dollar
.2708 Polish Zloty	.0091 Japanese Yen
	1.2052 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0877)= 11.4025.

That is 1 US Dollar equals 11.4025 Mexican Pesos.

Source: "Wall Street Journal"

MONTHLY SUMMARY AND AVERAGES FOR AUGUST 2004 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	::REPORT NUMBER 31	::REPORT NUMBER 32	::REPORT NUMBER 33	::REPORT NUMBER 34	::REPORT NUMBER 35	:: 2004	:: 2003
	::-----	::-----	::-----	::-----	::-----	:: Average	:: Average
	:: AUG 02 - 06	:: AUG 09 - 13	:: AUG 16 - 20	:: AUG 23 - 27	:: AUG 30 - 31	:: or Total	:: or Total
CHEESE							
WISCONSIN (WSP, Delivered, LTL)							
-- Process American 5# Loaf	:: 1.6550 - 2.0700	:: 1.6900 - 2.0700	:: 1.6900 - 2.0700	:: 1.7475 - 2.0700	:: 1.7675 - 2.0700	:: 1.8861	:: 1.8008
-- Brick And/Or Muenster 5#	:: 2.0500 - 2.1650	:: 2.0500 - 2.2025	:: 2.0500 - 2.2000	:: 2.0500 - 2.2625	:: 2.0500 - 2.2600	:: 2.1311	:: 2.0807
-- Cheddar 40# Block	:: 1.8625 - 2.2650	:: 1.9000 - 2.2650	:: 1.8975 - 2.2650	:: 1.9500 - 2.2650	:: 1.9500 - 2.2650	:: 2.0859	:: 1.9563
-- Monterey Jack 10#	:: 2.1050 - 2.2650	:: 2.1200 - 2.2650	:: 2.1200 - 2.2650	:: 2.1200 - 2.2650	:: 2.1200 - 2.2650	:: 2.1908	:: 2.1461
-- Blue 5#	:: 2.2600 - 2.7700	:: 2.2975 - 2.7700	:: 2.2950 - 2.7700	:: 2.3575 - 2.7700	:: 2.3550 - 2.7700	:: 2.5386	:: 2.4641
-- Mozzarella 5 - 6#	:: 1.8075 - 2.3650	:: 1.8450 - 2.3650	:: 1.8425 - 2.3650	:: 1.9050 - 2.3650	:: 1.9050 - 2.3650	:: 2.1100	:: 2.0263
-- Grade A Swiss Cuts 6 - 9#	:: 2.4475 - 2.9500	:: 2.4475 - 2.9500	:: 2.4475 - 2.9500	:: 2.4475 - 2.9500	:: 2.4475 - 2.9500	:: 2.6988	:: 2.4556
NORTHEAST (WSP, Delivered, LTL)							
-- Cheddar 10# Prints	:: 1.5775 - 2.0925	:: 1.6150 - 2.1300	:: 1.6125 - 2.1275	:: 1.6750 - 2.1900	:: 1.6725 - 2.1875	:: 1.8823	:: 1.9038
-- Cheddar Single Daisies	:: 1.5350 - 2.0100	:: 1.5725 - 2.0475	:: 1.5700 - 2.0450	:: 1.6325 - 2.1075	:: 1.6300 - 2.1050	:: 1.8198	:: 1.8463
-- Cheddar 40# Block	:: 1.6500 - 1.9100	:: 1.6875 - 1.9475	:: 1.6850 - 1.9450	:: 1.7475 - 2.0075	:: 1.7450 - 2.0050	:: 1.8273	:: 1.8551
-- Process 5# Loaf	:: 1.6850 - 1.8925	:: 1.7200 - 1.9275	:: 1.7200 - 1.9275	:: 1.7775 - 1.9850	:: 1.7975 - 2.0050	:: 1.8359	:: 1.8728
-- Process 5# Sliced	:: 1.7050 - 1.9500	:: 1.7400 - 1.9850	:: 1.7400 - 1.9850	:: 1.7975 - 2.0375	:: 1.8175 - 2.0575	:: 1.8739	:: 1.9165
-- Muenster	:: 1.7500 - 1.9525	:: 1.7875 - 1.9900	:: 1.7850 - 1.9875	:: 1.8475 - 2.0500	:: 1.8450 - 2.0475	:: 1.8985	:: 1.9249
-- Grade A Swiss Cuts 10 - 14#	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.5500	:: 2.4500
WEST COAST (WSP, Delivered, LTL)							
-- Process 5# Loaf	:: 1.6275 - 1.8875	:: 1.6625 - 1.9225	:: 1.6625 - 1.9225	:: 1.7200 - 1.9800	:: 1.7400 - 2.0000	:: 1.8047	:: 1.8421
-- Cheddar 40# Block	:: 1.6325 - 1.9850	:: 1.6675 - 2.0200	:: 1.6675 - 2.0200	:: 1.7250 - 2.0775	:: 1.7250 - 2.0775	:: 1.8541	:: 1.8963
-- Cheddar 10# Cuts	:: 1.8125 - 2.0325	:: 1.8475 - 2.0675	:: 1.8475 - 2.0675	:: 1.9050 - 2.1250	:: 1.9050 - 2.1250	:: 1.9678	:: 2.0113
-- Monterey Jack 10#	:: 1.8225 - 1.9825	:: 1.8575 - 2.0175	:: 1.8575 - 2.0175	:: 1.9150 - 2.0750	:: 1.9150 - 2.0750	:: 1.9478	:: 1.9913
-- Grade A Swiss Cuts 6 - 9#	:: 2.4500 - 2.8700	:: 2.4500 - 2.8700	:: 2.4500 - 2.8700	:: 2.4500 - 2.8700	:: 2.4500 - 2.8700	:: 2.6600	:: 2.3550
FLUID PRODUCTS							
SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)							
-- Northeast - f.o.b.	:: 2.2791 - 2.4492	:: 1.9922 - 2.1900	:: 2.0335 - 2.2004	:: 2.0207 - 2.2366	:: 2.0053 - 2.2212	:: 2.1696	:: 1.7570
-- Atlanta - dlvd. equiv.	:: 2.2961 - 2.4662	:: 2.0227 - 2.2051	:: 2.0638 - 2.2004	:: 2.0670 - 2.2366	:: 2.0515 - 2.2212	:: 2.1894	:: 1.7695
-- Upper Midwest - f.o.b.	:: 2.2451 - 2.4151	:: 2.0379 - 2.1595	:: 1.9728 - 2.1700	:: 1.9744 - 2.2058	:: 1.9744 - 2.1904	:: 2.1417	:: 1.7129
PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.							
-- Class II	:: 0.9150 - 0.9550	:: 0.9150 - 0.9550	:: 0.9150 - 0.9550	:: 0.9150 - 0.9600	:: 0.9150 - 0.9600	:: 0.9358	:: 0.8900
-- Class III	:: 0.9700 - 1.0200	:: 0.9700 - 1.0200	:: 0.9700 - 1.0200	:: 0.9700 - 1.0200	:: 1.0000 - 1.0500	:: 0.9977	:: 1.0869
NATIONAL EVAPORATED MILK (\$ per Case)							
(Case - 48 - 12 fluid oz cans)							
-- Delivered Major U.S. Cities	::22.0000 -30.0000	::22.0000 -30.0000	::22.0000 -30.0000	::22.0000 -30.0000	::22.0000 -30.0000	:: 26.0000	:: 24.5000

MONTHLY SUMMARY AND AVERAGES FOR AUGUST 2004 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	::REPORT NUMBER 31 ::	REPORT NUMBER 32 ::	REPORT NUMBER 33 ::	REPORT NUMBER 34 ::	REPORT NUMBER 35 ::	2004	2003
	::-----::	-----::	-----::	-----::	-----::	Average	Average
	:: AUG 02 - 06 ::	AUG 09 - 13 ::	AUG 16 - 20 ::	AUG 23 - 27 ::	AUG 30 - 31 ::	or Total	or Total
DRY PRODUCTS							
NONFAT DRY MILK							
-- Central And East (f.o.b.)							
-- Low/Medium Heat	:: 0.8000 - 0.9800 ::	0.8000 - 0.9800 ::	0.8100 - 0.9500 ::	0.8200 - 0.9200 ::	0.8000 - 0.9400 ::	0.8814	0.8480
-- Mostly	:: 0.8700 - 0.8900 ::	0.8500 - 0.8700 ::	0.8500 - 0.8700 ::	0.8500 - 0.8700 ::	0.8100 - 0.8600 ::	0.8623	0.8425
-- High Heat	:: 0.9150 - 1.2000 ::	0.9150 - 1.2000 ::	0.9150 - 1.1000 ::	0.9150 - 1.0700 ::	0.9225 - 1.0500 ::	1.0249	0.9038
-- West (f.o.b.)							
-- Low/Medium Heat	:: 0.7950 - 0.8800 ::	0.7950 - 0.8800 ::	0.8000 - 0.8800 ::	0.8000 - 0.8825 ::	0.7950 - 0.8800 ::	0.8389	0.8414
-- Mostly	:: 0.8200 - 0.8625 ::	0.8200 - 0.8625 ::	0.8200 - 0.8625 ::	0.8200 - 0.8625 ::	0.8150 - 0.8650 ::	0.8411	0.8079
-- High Heat	:: 0.8500 - 1.0100 ::	0.8500 - 1.0100 ::	0.8500 - 0.9800 ::	0.8500 - 0.9800 ::	0.8500 - 0.9800 ::	0.9218	0.8437
WHEY POWDER (Nonhygroscopic)							
-- Central (f.o.b.)	:: 0.2125 - 0.2375 ::	0.2125 - 0.2275 ::	0.1900 - 0.2250 ::	0.1900 - 0.2250 ::	0.1900 - 0.2250 ::	0.2143	0.1690
-- Mostly	:: 0.2125 - 0.2325 ::	0.2125 - 0.2275 ::	0.2100 - 0.2200 ::	0.2100 - 0.2200 ::	0.2100 - 0.2200 ::	0.2178	0.1677
-- West (f.o.b.)	:: 0.2050 - 0.2700 ::	0.1950 - 0.2700 ::	0.1950 - 0.2700 ::	0.1950 - 0.2500 ::	0.2000 - 0.2500 ::	0.2307	0.1762
-- Mostly	:: 0.2100 - 0.2300 ::	0.2100 - 0.2250 ::	0.2100 - 0.2200 ::	0.2050 - 0.2200 ::	0.2000 - 0.2225 ::	0.2158	0.1717
-- Northeast (f.o.b.)	:: 0.2375 - 0.2750 ::	0.2275 - 0.2650 ::	0.2225 - 0.2600 ::	0.2175 - 0.2600 ::	0.2175 - 0.2600 ::	0.2450	0.1768
-- Southeast (Delvd)	:: 0.2550 - 0.2600 ::	0.2450 - 0.2575 ::	0.2450 - 0.2550 ::	0.2450 - 0.2550 ::	0.2450 - 0.2550 ::	0.2520	0.1977
WHEY PROTEIN CONCENTRATE							
-- Central And West (f.o.b.)							
-- Extra Grade 34% Protein	:: 0.5700 - 0.6400 ::	0.5700 - 0.6400 ::	0.5700 - 0.6400 ::	0.6050 - 0.6350 ::	0.5725 - 0.6325 ::	0.6082	0.4690
-- Mostly	:: 0.6100 - 0.6400 ::	0.6100 - 0.6400 ::	0.6100 - 0.6400 ::	0.6100 - 0.6350 ::	0.6025 - 0.6225 ::	0.6233	0.4467
ANIMAL FEED - WHEY							
-- Central (f.o.b.)							
-- Milk Replacer	:: 0.1900 - 0.2200 ::	0.1900 - 0.2000 ::	0.1800 - 0.1950 ::	0.1800 - 0.1950 ::	0.1750 - 0.1950 ::	0.1930	0.1528
BUTTERMILK (Min. 30% protein)							
-- Central (f.o.b.)	:: 1.0500 - 1.1800 ::	1.0500 - 1.1800 ::	1.0500 - 1.1500 ::	1.0500 - 1.0800 ::	1.0300 - 1.0500 ::	1.0934	0.8637
-- West (f.o.b.)	:: 1.0300 - 1.0650 ::	1.0300 - 1.0750 ::	1.0300 - 1.0750 ::	1.0300 - 1.0750 ::	1.0300 - 1.0750 ::	1.0514	0.8057
-- Mostly	:: 1.0300 - 1.0400 ::	1.0300 - 1.0400 ::	1.0300 - 1.0500 ::	1.0300 - 1.0500 ::	1.0300 - 1.0500 ::	1.0377	0.8120
-- Northeast (f.o.b.)	:: 0.9875 - 1.0900 ::	1.0000 - 1.0900 ::	1.0000 - 1.0900 ::	1.0000 - 1.0900 ::	1.0000 - 1.0900 ::	1.0436	0.7573
-- Southeast (Delvd)	:: 1.0100 - 1.1500 ::	1.0100 - 1.1500 ::	1.0100 - 1.1500 ::	1.0100 - 1.1000 ::	1.0100 - 1.0700 ::	1.0707	0.7904
WHOLE MILK POWDER							
-- National (f.o.b.)	:: 1.2850 - 1.4500 ::	1.2850 - 1.4400 ::	1.2850 - 1.4400 ::	1.2850 - 1.4400 ::	1.2850 - 1.4350 ::	1.3634	1.1146
LACTOSE							
-- Central And West (f.o.b.)	:: 0.2000 - 0.2700 ::	0.2000 - 0.2700 ::	0.1850 - 0.2700 ::	0.1850 - 0.2700 ::	0.1800 - 0.2700 ::	0.2307	0.2150
-- Mostly	:: 0.2200 - 0.2300 ::	0.2200 - 0.2300 ::	0.2000 - 0.2250 ::	0.2000 - 0.2250 ::	0.1900 - 0.2200 ::	0.2175	0.1949
CASEIN - Edible - National (f.o.b.)							
-- Nonrestricted - Rennet	:: 2.5500 - 2.8000 ::	2.5500 - 2.8000 ::	2.5500 - 2.8000 ::	2.5500 - 2.8000 ::	2.7500 - 2.9500 ::	2.6909	2.0750
-- Nonrestricted - Acid	:: 2.5500 - 2.8500 ::	2.5500 - 2.8500 ::	2.5500 - 2.8500 ::	2.5500 - 2.8500 ::	2.8000 - 3.0000 ::	2.7182	2.0500

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing.

CHICAGO MERCANTILE EXCHANGE AVERAGES FOR AUGUST 2004

COMMODITY	::REPORT NUMBER 31::	REPORT NUMBER 32::	REPORT NUMBER 33::	REPORT NUMBER 34::	REPORT NUMBER 35::	2004 *	2003 *
	::-----::	-----::	-----::	-----::	-----::	Monthly	Monthly
	:: AUG 2 - 6 ::	AUG 9 - 13 ::	AUG 16 - 20 ::	AUG 23 - 27 ::	AUG 30 - 31 ::	Average	Average
BUTTER*							
-- GRADE AA							
--Monday	:: 1.6100	:: 1.4600	:: 1.6025	:: 1.5075	:: 1.6600	::	:
--Tuesday	::	::	::	::	::	::	:
--Wednesday	:: 1.5100	:: 1.5200	:: 1.5300	:: 1.5300	::	::	:
--Thursday	::	::	::	::	::	::	:
--Friday	:: 1.4425	:: 1.5725	:: 1.4950	:: 1.5900	::	:: 1.5408	: 1.1708
--Weekly Average**	:: 1.5208	:: 1.5175	:: 1.5425	:: 1.5425	::	::	:
CHEESE*							
-- BARRELS							
--Monday	:: 1.5100	:: 1.5100	:: 1.5100	:: 1.6200	:: 1.5300	::	:
--Tuesday	:: 1.5100	:: 1.5100	:: 1.5300	:: 1.6200	:: 1.5300	::	:
--Wednesday	:: 1.5100	:: 1.5100	:: 1.5800	:: 1.6200	::	::	:
--Thursday	:: 1.5100	:: 1.5100	:: 1.6000	:: 1.5500	::	::	:
--Friday	:: 1.5100	:: 1.5100	:: 1.6200	:: 1.5300	::	:: 1.5427	: 1.5736
--Weekly Average**	:: 1.5100	:: 1.5100	:: 1.5680	:: 1.5880	::	::	:
-- 40# BLOCKS							
--Monday	:: 1.5500	:: 1.5400	:: 1.5500	:: 1.6525	:: 1.5600	::	:
--Tuesday	:: 1.5500	:: 1.5400	:: 1.5825	:: 1.6525	:: 1.5625	::	:
--Wednesday	:: 1.5475	:: 1.5400	:: 1.6100	:: 1.6250	::	::	:
--Thursday	:: 1.5475	:: 1.5500	:: 1.6325	:: 1.5500	::	::	:
--Friday	:: 1.5400	:: 1.5500	:: 1.6525	:: 1.5300	::	:: 1.5734	: 1.6000
--Weekly Average**	:: 1.5470	:: 1.5440	:: 1.6055	:: 1.6020	::	::	:
NONFAT DRY MILK*							
-- EXTRA GRADE							
--Monday	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	::	:
--Tuesday	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	::	:
--Wednesday	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	::	::	:
--Thursday	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	::	::	:
--Friday	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	::	:: 0.8500	: 0.8400
--Weekly Average**	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	::	::	:
-- GRADE A							
--Monday	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	::	:
--Tuesday	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	::	:
--Wednesday	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	::	::	:
--Thursday	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	::	::	:
--Friday	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	::	:: 0.8500	: 0.8400
--Weekly Average**	:: 0.8500	:: 0.8500	:: 0.8500	:: 0.8500	::	::	:

* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

** Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.

ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, SEPTEMBER 2004, WITH COMPARISONS ^{1/}												
CITY	September 2002			September 2003			August 2004			September 2004		
	Announced Coop.	Federal Order	Differ- ence	Announced Coop.	Federal Order	Differ- ence	Announced Coop.	Federal Order	Differ- ence	Announced Coop.	Federal Order	Differ- ence
	Dollars Per Hundredweight, 3.5% Butterfat											
Atlanta, GA	15.49	13.56	1.93	18.24	16.81	1.43	18.75	17.72	1.03	18.57	17.04	1.53
Baltimore, MD	15.21	13.46	1.75	18.56	16.71	1.85	19.22	17.62	1.60	18.58	16.94	1.64
Boise, ID ^{2/}	12.38	12.08	0.30	15.61	15.31	0.30	---	---	---	---	---	---
Boston, MA	15.11	13.71	1.40	18.66	16.96	1.70	19.57	17.87	1.70	18.89	17.19	1.70
Charlotte, NC	15.49	13.56	1.93	18.24	16.81	1.43	18.75	17.72	1.03	18.57	17.04	1.53
Chicago, IL ^{3/}	14.35	12.26	2.09	17.81	15.51	2.30	19.97	16.42	3.55	18.86	15.74	3.12
Cincinnati, OH	14.27	12.66	1.61	17.48	15.91	1.57	18.65	16.82	1.83	17.97	16.14	1.83
Cleveland, OH	14.07	12.46	1.61	17.28	15.71	1.57	18.45	16.62	1.83	17.77	15.94	1.83
Dallas, TX	14.86	13.46	1.40	17.61	16.71	0.90	18.12	17.62	0.50	17.94	16.94	1.00
Denver, CO	13.86	13.01	0.85	17.11	16.26	0.85	18.02	17.17	0.85	17.34	16.49	0.85
Des Moines, IA	13.63	12.26	1.37	16.90	15.51	1.39	18.12	16.42	1.70	17.45	15.74	1.71
Detroit, MI	13.51	12.26	1.25	16.93	15.51	1.42	18.04	16.42	1.62	17.36	15.74	1.62
Hartford, CT	15.01	13.61	1.40	18.56	16.86	1.70	19.47	17.77	1.70	18.79	17.09	1.70
Houston, TX	15.46	14.06	1.40	18.21	17.31	0.90	18.72	18.22	0.50	18.54	17.54	1.00
Indianapolis, IN	14.07	12.46	1.61	17.28	15.71	1.57	18.45	16.62	1.83	17.77	15.94	1.83
Kansas City, MO	14.22	12.46	1.76	16.99	15.71	1.28	17.81	16.62	1.19	17.14	15.94	1.20
Louisville, KY	13.76	12.66	1.10	17.33	15.91	1.42	18.50	16.82	1.68	17.82	16.14	1.68
Memphis, TN	14.99	13.26	1.73	17.74	16.51	1.23	18.25	17.42	0.83	18.07	16.74	1.33
Miami, FL	18.00	14.76	3.24	20.51	18.01	2.50	21.02	18.92	2.10	20.84	18.24	2.60
Milwaukee, WI ^{3/}	14.45	12.21	2.24	17.91	15.46	2.45	19.92	16.37	3.55	18.81	15.69	3.12
Minneapolis, MN ^{3/}	13.80	12.16	1.64	17.26	15.41	1.85	19.62	16.32	3.30	18.51	15.64	2.87
New Orleans, LA	15.64	14.06	1.58	18.39	17.31	1.08	19.05	18.22	0.83	18.87	17.54	1.33
Oklahoma City, OK	14.71	13.06	1.65	17.21	16.31	0.90	17.77	17.22	0.55	17.59	16.54	1.05
Omaha, NE	13.68	12.31	1.37	16.95	15.56	1.39	17.87	16.47	1.40	17.20	15.79	1.41
Philadelphia, PA	15.38	13.51	1.87	18.61	16.76	1.85	19.27	17.67	1.60	18.63	16.99	1.64
Phoenix, AZ	12.96	12.81	0.15	16.21	16.06	0.15	17.12	16.97	0.15	16.44	16.29	0.15
Pittsburgh, PA	14.56	12.56	2.00	17.81	15.81	2.00	18.47	16.72	1.75	17.79	16.04	1.75
St. Louis, MO	13.71	12.46	1.25	16.96	15.71	1.25	18.17	16.62	1.55	17.49	15.94	1.55
Salt Lake City, UT ^{2/}	12.66	12.36	0.30	15.91	15.61	0.30	---	---	---	---	---	---
Seattle, WA	12.78	12.36	0.42	16.03	15.61	0.42	16.94	16.52	0.42	16.26	15.84	0.42
Springfield, MO	14.31	12.66	1.65	16.81	15.91	0.90	17.37	16.82	0.55	17.19	16.14	1.05
Washington, DC	15.21	13.46	1.75	18.56	16.71	1.85	19.22	17.62	1.60	18.58	16.94	1.64
Simple Average	14.42	12.94	1.48	17.55	16.19	1.36	18.62	17.15	1.47	18.05	16.47	1.58

^{1/} This table contains information obtained from the Class I price announcements sent by the major cooperative in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

^{2/} The data series for these cities was discontinued for April 2004, as the Federal milk order in which these cities are located was terminated on April 1, 2004.

^{3/} Announced cooperative prices for August and September 2004 include a \$1.50 and \$0.80 surcharge, respectively, due to negative Producer Price Differentials experienced in prior months.

AUGUST AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in August 2004 advanced 1 point to 135. Compared with August 2003, the index was up 8 points (6.3 percent). The index of prices received by farmers for dairy products declined 8 points during the month of August 2004 to 115. Compared with August 2003, the index was up 13 points (12.7 percent).

Prices received by farmers in August with changes from July were: for All Milk, \$15.00 per hundredweight (cwt.), down \$1.00; Fluid Grade Milk, \$15.10 per cwt., down \$.90; and for Manufacturing Grade Milk, \$13.90 per cwt., down \$.40.

SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., AUGUST 2004 WITH COMPARISONS

STATE	All-milk price 1/ 3/				Milk cows 5/		Cows 6/		All hay baled 7/	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	JULY		AUGUST		AUGUST		AUGUST		AUGUST	
	2004 2/	2003 2/	2004 4/	2003 2/	2004	2003	2004 7/	2003 8/	2004	2003
CA	13.60	11.52	13.30	12.77	PRICES PUBLISHED JANUARY, APRIL, JULY AND OCTOBER		53.80	44.50	108.00	84.00
ID	13.90	11.90	13.20	12.60			53.20	41.60	108.00	86.00
MI	16.90	12.00	15.40	13.00			55.00	45.00	95.00	90.00
MN	15.90	12.80	15.00	14.60			59.00	50.70	61.00	68.00
NM	15.50	11.40	15.00	12.20			58.60	45.50	117.00	138.00
NY	17.70	12.30	15.60	13.60			---	---	98.00	126.00
PA	18.70	13.00	17.10	13.90			53.80	42.10	129.00	132.00
TX	16.70	12.40	16.00	13.40			53.40	40.40	77.00	77.00
WA	16.30	11.40	14.90	12.10			---	---	104.00	102.00
WI	16.30	12.60	15.80	14.20			57.10	46.70	70.00	71.00
U.S.	16.00	12.10	15.00	13.30			55.50	44.50	89.80	85.30

1/ Prices are shown at reported butterfat test. 2/ Partially revised. 3/ Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. 4/ Preliminary. 5/ Animals sold for dairy herd replacement only. 6/ Beef cows and cull dairy cows sold for slaughter. 7/ Mid-month price. 8/ Entire month.

MILK AND OTHER GENERAL PRICE MEASURES, U.S., AUGUST 2004 WITH COMPARISON

ITEM	AUGUST 2003	JULY 2004 1/	AUGUST 2004 2/
PRICES RECEIVED BY FARMERS , dol. per cwt., at reported butterfat test:			
All milk	13.30	16.00	15.00
Fluid grade milk	13.30	16.00	15.10
Manufacturing grade milk	13.20	14.30	13.90
INDEX NUMBERS (1990-92=100):			
Prices received by farmers for all farm products	109	124	120
Prices received by farmers for dairy products	102	123	115
Prices paid by farmers for commodities and services, interest taxes, and wage rates	127	134	135
Prices paid by farmers for production items	123	132	133
Prices paid by farmers for feed	108	125	125
MILK FEED PRICE RATIO: Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk 3/	2.89	2.95	3.06

1/ Partially revised. 2/ Preliminary. 3/ For this data series, the price of the commercial prepared feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay and all wheat.

SOURCE: "Agricultural Prices," Pr 1 (8/04), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF AUGUST 30 - SEPTEMBER 3			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 08/27/04	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-42,309	10,133,351	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	1,313,280	-0-	-0-
TOTAL	-0-	-0-	-0-	-42,309	11,446,631	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	3,840,106	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	5,447,123	-0-	-0-
Process	-0-	-0-	-0-	-0-	31,838,400	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	41,125,629	-0-	-0-
NONFAT DRY MILK							
Nonfortified	3,386,815	372,406	3,014,409	347,672,675	604,819,151	583,570,000	1,215,469,000
Fortified	-0-	-0-	-0-	-119,048	596,814	46,391,000	46,391,000
TOTAL	3,386,815	372,406	3,014,409	347,553,627	605,415,965	629,961,000	1,261,860,000

Export Donation Program under Invitation 080 to announcement FMPL. The estimated cumulative under Invitation 080 is 102,683,909 \$ Includes export donation deliveries under Invitation 070.

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF AUGUST 30-SEPTEMBER 3, 2004 =	0.7	35.1	COMPARABLE PERIOD IN 2003 =	1.0	72.5
CUMULATIVE SINCE OCTOBER 1, 2003 =	75.5	4,045.5	CUMULATIVE SAME PERIOD LAST YEAR =	762.3	7,455.6
CUMULATIVE JAN. 1 - SEP. 3, 2004 =	50.0	2,696.3	COMPARABLE CALENDAR YEAR 2003 =	688.2	6,190.0

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF AUGUST 30 - SEPTEMBER 3, 2004 (POUNDS)

	BUTTER			CHEESE			NONFAT DRY MILK	
REGION	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	3,014,409	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
REGION	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
CENTRAL	-0-	-0-	-0-	32,049,972	8,493,089	24,411,395	2.5	39.5
WEST	-42,309	11,446,631	-0-	9,075,657	334,776,764	543,434,774	96.3	59.4
EAST	-0-	-0-	-0-	-0-	4,283,774	37,569,796	1.2	1.1
TOTAL	-42,309	11,446,631	-0-	41,125,629	347,553,627	605,415,965	100.0	100.0

NDM SELLBACK TO THE TRADE The cumulative sellback total for 2004 is **67,347,152 pounds**.

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 08/14/04 & Comparable Week 2003

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2004-Dairy	0.0	0.7	6.6	2.1	18.8	2.9	0.7	0.9	11.3	1.7	45.9	1,476.5	49.7	47.0
2003-Dairy	0.2	0.7	7.2	4.9	20.5	3.1	0.4	1.1	13.1	2.4	53.6	1,775.2	44.7	47.7
2004-All cows	0.0	0.8	8.1	11.7	28.4	12.9	10.1	2.4	13.3	4.5	92.3	3,142.8		
2003-All cows	0.2	0.9	9.6	14.6	34.4	17.7	17.9	3.1	15.9	5.8	120.0	3,724.2		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.85	11.59	11.94	13.64	19.65	21.13	17.95	14.62	13.94			
II	11.67	12.90	14.79	15.21	15.03	14.31	14.00	13.13				
III	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04				
IV	10.97	12.21	14.10	14.57	14.50	13.72	13.31	12.46				

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm